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IIFL FINANCE LIMITED

POLICY FOR DETERMINING MATERIAL SUBSIDIARIES

1. Introduction:

In accordance with the Regulation 16 (1) (c) and Regulation 24 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, every listed company whose specified securities are listed on any recognized stock exchange to formulate a policy for determining Material Subsidiaries. In this regard, the Board of Directors of IIFL Finance Limited has adopted the following policy and procedures with regard to determination of Material Subsidiaries.

2. Purpose and Scope:

The Policy for determining Material Subsidiary Companies has been framed in accordance with the regulations of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. The Policy will be used to determine the Material Subsidiaries of IIFL Finance Limited and to provide the governance framework for such subsidiaries.

All the words and expressions used in this Policy, unless defined hereafter, shall have meaning respectively assigned to them under the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and in the absence of its definition or explanation therein, as per the Companies Act, 2013 and the Rules, Notifications and Circulars made/issued there under, as amended, from time to time.

3. Definitions:

i. **“Board of Directors”** or **“Board”** means the Board of Directors of IIFL Finance Limited, as constituted from time to time.

ii. **“Company”** means IIFL Finance Limited.

iii. **“Independent Director”** means a director of the Company, as mentioned in the Regulation 16 (1) (b) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 read with Section 2(47) of the Companies Act, 2013.

iv. **“Policy”** means Policy on determining Material Subsidiaries, as amended from time to time.

v. **"Regulations"** means the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, including any statutory modifications or re-enactment thereof.

vi. **“Subsidiary”** shall mean a subsidiary as defined under section 2(87) of the Companies Act, 2013 and Rules made thereunder.

4. **Identification of Material subsidiary:**

As per Regulation 16 (1) (c) of the SEBI (LODR) Regulations, 2015, a subsidiary shall be considered as material if its turnover or net worth exceeds ten percent of the consolidated turnover or net worth respectively, of the listed entity and its subsidiaries in the immediately preceding accounting year.

5. **Governance Framework:**

i. The Audit Committee of the Board of the Company shall review the financial statements, in particular, the investments made by the unlisted subsidiary companies.

ii. The minutes of the Board Meetings of the unlisted subsidiary companies shall be placed before the Board of the Company.

iii. The management of unlisted subsidiary shall periodically bring to the attention of the Board of Directors of the Company, a statement of all significant transactions and arrangements entered into by the unlisted subsidiary companies.
The term "**significant transaction or arrangement**" shall mean any individual transaction or arrangement that exceeds or is likely to exceed 10% of the total revenues or total expenses or total assets or total liabilities, as the case may be, of the unlisted subsidiary for the immediately preceding accounting year.

iv. At least one Independent Director on the Board of Directors of the Company shall be a director on the Board of the unlisted material subsidiary Company.
Explanation: For the purpose of this clause, the term "**material subsidiary**" shall mean a subsidiary, whose turnover or net worth exceeds twenty percent of the consolidated turnover or net worth respectively, of the listed entity and its subsidiaries in the immediately preceding accounting year.

v. The Company, without the prior approval of the members by Special resolution, shall not

a. dispose of shares in its material subsidiary which would reduce its shareholding (either on its own or together with other subsidiaries) to less than or equal to 50 per cent or cease the exercise of control over the subsidiary; or
b. sell, dispose and lease the assets of the material subsidiary amounting to more than 20 percent of the assets of the material subsidiary on an aggregate basis during a financial year,

except in cases where such divestment/sale/disposal/lease is made under a scheme of arrangement duly approved by a Court/Tribunal or under a resolution plan duly approved under section 31 of the Insolvency code and such an event is disclosed to the recognized stock exchanges within one day of the resolution plan being is approved.

6. **Review / Revision of Policy:**

The Board shall review and amend this Policy as and when required.

In the event of any conflict between this Policy and any applicable regulations, rules, guidelines, notifications, clarifications, circulars, master circulars, or directions issued by the relevant authorities ("Regulatory Provisions"), the interpretation of the Regulatory Provisions shall prevail.

Further, upon any amendment or clarification to the Regulatory Provisions, this Policy shall be deemed to have been modified accordingly with effect from the date prescribed under such Regulatory Provisions.